

## Message Text

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ORIGIN EB-06

INFO OCT-01 ARA-06 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 FPC-01 H-01 INR-05 INT-05

L-01 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01 SCI-02

SP-02 SS-20 STR-01 TRSE-00 FRB-01 FEA-01 INRE-00

NSCE-00 SSO-00 PRS-01 PA-01 /078 R

DRAFTED BY EB/ORF/FSE:MVCREEKMORE:LS

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ARA/LA/EP:SPRINGLE

EB/IFD/OIA:DSTEBBING

EB/ORF/FSE:LRAICHT

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TO AMEMBASSY QUITO IMMEDIATE

C O N F I D E N T I A L STATE 225808

E.O. 11652: GDS

TAGS: ENRG

SUBJECT: T-G REQUEST FOR APPOINTMENT WITH PRESIDENT  
RODRIGUEZ

1. GULF WASHINGTON REP ORTIZ ADVISED THAT ON OCTOBER 14  
TEXACO-GULF WILL DELIVER A LETTER TO GOE REQUESTING OCTOBER  
24 APPOINTMENT WITH PRESIDENT RODRIGUEZ TO SEEK MUTUALLY  
SATISFACTORY SOLUTION TO OUTSTANDING PROBLEMS. AT THIS  
MEETING, T-G REPS INTEND TO MAKE FULL ORAL AND WRITTEN  
PRESENTATION TO PRESIDENT RODRIGUEZ TO BACK UP THEIR CASE.  
ORTIZ SAID THAT FAILURE TO OBTAIN SATISFACTORY SETTLEMENT  
COULD LEAD TO T-G DECISION TO SHUT DOWN PRODUCTION. IN  
PREPARING FOR SUCH AN EVENTUALITY, T-G INTENDS NEXT WEEK  
TO INFORM DRILLING RIG OWNERS AND LOCAL COMPANIES UNDER  
CONTRACT OF POSSIBLE SHUT DOWN IN NEAR FUTURE. (T-G'S  
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CONTRACTS WITH THESE FIRMS REQUIRE 30 DAYS NOTICE.)

2. EMBASSY SHOULD CONTACT T-G LOCAL REPS OR TEAM ARRIVING OCTOBER 12 FROM USA PRIOR TO DELIVERY OF LETTER AND NOTIFICATION TO CONTRACTORS OF POSSIBLE FUTURE SHUTDOWN.

3. T-G LETTER TO PRESIDENT RODRIGUEZ FOLLOWS:

QUOTE. GENERAL GUILLERMO RODRIGUEZ LARA, PRESIDENT, REPUBLIC OF ECUADOR. DEAR MR. PRESIDENT: WHENEVER OBSTACLES ARISE WHICH IMPEDE OBTAINING THE NATION'S ASPIRATIONS FROM ITS OIL INDUSTRY, OR WHICH IMPERIL THE CAPABILITY OF THE RESPECTIVE PETROLEUM PRICES TO CONTINUE TO PERFORM THEIR FUNCTIONS, WE BELIEVE WE SHOULD MAKE KNOWN OUR CONCERN AND TRY TO WORK WITH THE GOVERNMENT TO FIND MUTUALLY ACCEPTABLE SOLUTIONS TO SUCH PROBLEMS.

AT THE OUTSET, WE CONFIRM OUR SINCERE DESIRE TO COLLABORATE WITH THE GOVERNMENT OF ECUADOR ON A BASIS OF RESPECT FOR THE NATIONAL INTEREST AND CORDIALITY. INDEED WE WISH TO BE ABLE TO CONTINUE TO PROVIDE CAPITAL, TECHNOLOGY, EFFICIENT OPERATIONS AND RESPONSIBLE ADMINISTRATION FOR THE NATION'S HYDROCARBON RESOURCES WITHIN THE FRAMEWORK OF MUTUALITY OF INTERESTS AND APPROPRIATE COMPENSATION FOR EACH PARTY'S CONTRIBUTION.

THE BASIC PROBLEM WHICH NOW CONFRONTS US IS AN UNANTICIPATED BUT HARSH REALITY WHICH REQUIRES THAT THE GOVERNMENT AND OURSELVES PROVIDE A SOLUTION WHICH IS MUTUALLY SATISFACTORY. THE PROBLEM IS SIMPLY THAT GULF AND TEXACO ARE NO LONGER ABLE TO REALIZE FROM THE PRESENT DAY WORLD OIL MARKET A PRICE FOR ECUADOR CRUDE OIL WHICH COVERS OUR COSTS OF OPERATIONS IN ECUADOR, TAXES, AND PARTICIPATIONS CORRESPONDING TO THE GOVERNMENT. OUT OF THE PRESENT PRICES THERE IS NOTHING AVAILABLE FOR A RETURN FOR THE RISKS UNDERTAKEN AND THE CAPITAL INVESTED. FURTHER, WE SENSE A LACK OF UNDERSTANDING THAT THE HIGHEST PRICE WHICH IS PAID FOR PURCHASING A MINOR PART OF ECUADOR'S OIL PRODUCTION DURING A SHORT PERIOD DOES NOT ESTABLISH A VALID MARKET VALUE WHICH OTHER BUYERS ARE WILLING TO OBLIGATE THEMSELVES TO PAY FOR THE REMAINDER

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OF THE PRODUCTION OVER LONG PERIODS AND THEREBY ASSURE A CONSTANT VOLUME OF REVENUES.

WE THINK IT IS MOST URGENT THAT WE EXPLORE WITH THE GOVERNMENT, AT THE EARLIEST PRACTICABLE DATE, THE PROBLEMS PRESENTED BY THE EXISTING SITUATION. WE MANIFEST TO YOU OUR WILLINGNESS TO CONSIDER ALL POSSIBLE ALTERNATIVES TO PROVIDE GREATER ASSURANCE FOR SATISFACTION OF THE NEEDS

THAT WE UNDERSTAND THE NATION HAS, AND ALSO WHICH WOULD  
ENABLE US TO RECEIVE A REASONABLE PROFIT IN EXCHANGE FOR  
OUR CONTRIBUTION TO THE JOINT EFFORT.

A MUTUALLY SATISFACTORY SOLUTION TO THE MATTER MUST BE  
OBTAINED AT AN EARLY DATE, FAILING WHICH WE SHALL BE  
UNABLE TO CONTINUE OPERATING AS AT PRESENT. ACCORDINGLY,  
WE RESPECTFULLY REQUEST AN AUDIENCE WITH YOUR EXCELLENCY  
TO DISCUSS ALTERNATIVES FOR RESOLVING THIS MATTER. UNQUOTE  
INGERSOLL

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM INDUSTRY, PRESIDENT, PETROLEUM PRODUCTION, COMPENSATION, MEETINGS, DIPLOMATIC COMMUNICATIONS, INTERGOVERNMENTAL COOPERATION  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 12 OCT 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** elyme  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974STATE225808  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** MVCREEKMORE:LS  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D740290-0810  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19741049/aaaabpsa.tel  
**Line Count:** 125  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ORIGIN EB  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** elyme  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 17 SEP 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <17 SEP 2002 by cunninfx>; APPROVED <05 MAR 2003 by elyme>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** T-G REQUEST FOR APPOINTMENT WITH PRESIDENT RODRIGUEZ  
**TAGS:** ENRG, EC, US, TEXACO, GULF, (ORTIZ), (RODRIGUEZ)  
**To:** QUITO  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005